

**STATE OF ILLINOIS**  
**ILLINOIS COMMERCE COMMISSION**

ILLINOIS COMMERCE COMMISSION	:	
On Its Own Motion	:	
	:	
-Vs-	:	
	:	02-0729
Union Electric Company	:	
d/b/a AmerenUE	:	
	:	
Reconciliation of revenues collected under gas	:	
adjustment charges with actual costs.	:	

**PROPOSED FORM OF ORDER**

By the Commission:

**Procedural History; Section 9-220 and Code Part 525**

On November 7, 2002, the Illinois Commerce Commission (“Commission”) entered an Order Commencing PGA Reconciliation Proceedings, which directed Union Electric Company, doing business as AmerenUE (“AmerenUE” or “Respondent” or “Company”), to present evidence in this docket at a public hearing to show the reconciliation of revenues collected under its Purchased Gas Adjustment (“PGA”) tariff with the actual cost of gas supplies prudently incurred and recoverable under said PGA for the period from January 1, 2002 through December 31, 2002 (the “Reconciliation Period”).

Notice of the filing of Respondent’s testimony and exhibits with the Commission was posted in Respondent’s business offices and was published in newspapers having general circulation in Respondent’s service territory, in the manner prescribed by 83 Ill.

Adm. Code 255, in compliance with the Commission's Order Commencing PGA Reconciliation Proceedings in this docket. Also in compliance with that order, on April 2, 2003 Respondent filed the direct testimony and schedules of Van R. Robinson and the direct testimony of James J. Massmann. Mr. Massmann's direct testimony was filed in Proprietary and Non-Proprietary versions. In addition, the Respondent filed a Motion for Protective Order seeking to protect certain confidential information contained in the Proprietary version of Mr. Massmann's direct testimony. The Motion for Protective Order stated that the confidential information that the Respondent sought to protect consisted of the details of specific gas supply, transportation and storage transactions, the disclosure of which would adversely affect the Respondent's relationships with gas suppliers and its ability to negotiate future gas supply arrangements. The Respondent requested that a Protective Order be issued with a five-year expiration date applicable to this information pursuant to 83 Ill. Admin. Code 200.430.

Pursuant to notice given in accordance with the law and the rules and regulations of the Commission, a prehearing conference was held in this matter before a duly authorized Administrative Law Judge of the Commission at its offices in Springfield, Illinois, on April 22, 2003. On August 21, 2003, the Commission Staff filed the direct testimony of Eric Lounsberry and Theresa Ebrey. On August 26, 2003 the Respondent filed certificates of publication verifying that notice of this proceeding had been published in newspapers published in the Respondent's service territory in accordance with the Commission's regulations. In addition, on August 27, 2003 the Respondent filed

its responses to certain data requests submitted by the Staff in this proceeding that addressed affiliate transactions.

This matter came on for an evidentiary hearing at the Commission's Springfield offices on August 28, 2003. Appearances were entered by counsel for Respondent and by the Commission Staff. Respondent's filed testimony and other filed exhibits consisting of the Direct Testimony of Van R. Robinson, including Schedules VRR-1 through VRR-4 (AmerenUE Exhibit No. 1.0); the Direct Testimony of James J. Massmann (AmerenUE Exhibit No. 2.0); certificates of publication of notice of this proceeding (AmerenUE Exhibit No. 3.0); and data request responses addressing affiliate transaction issues (AmerenUE Exhibit No. 4.0) were admitted into evidence. In addition, copies of Respondent's data request responses addressing the prudence of the Company's gas purchasing practices were marked as AmerenUE Exhibit No. 5.0 and admitted into evidence. The Respondent prepared Proprietary and Non-Proprietary versions of AmerenUE Exhibit No. 5.0 and requested that the Proprietary version be protected from public disclosure under the terms of the Protective Order to be issued by the Commission. The Commission Staff's evidence consisting of the Direct Testimony of Theresa Ebrey (ICC Staff Ex. 1.00) and the Direct Testimony of Eric Lounsberry (ICC Staff Exhibit 2.00) were also admitted into evidence. At the conclusion of the August 28, 2003 hearing, the record was marked "Heard and Taken". On October 2, 2003, Respondent filed a proposed form of order that reflected the agreement of Respondent and the Commission Staff.

The record contains a detailed description of Respondent's practices and procedures for reconciling the revenues collected under its PGA with the actual costs

recoverable under such tariff during the Reconciliation Period. All participants were afforded the opportunity to cross-examine all witnesses and to offer evidence with respect to all issues in this proceeding.

In accordance with Section 9-220 of the Public Utilities Act (“Act”), 220 ILCS 5/1-101 et seq., the Commission may authorize an increase or decrease in rates and charges based upon changes in the cost of purchased gas through the application of a purchased gas adjustment clause. Section 9-220(a) requires the Commission to initiate annual public hearings “to determine whether the clauses reflect actual costs of...gas...purchased to determine whether such purchases were prudent, and to reconcile any amounts collected with the actual cost of...gas...prudently purchased.” In each such proceeding, the burden of proof shall be upon the utility to establish the prudence of its applicable costs.

For gas purchases, the provisions of Section 9-220 are implemented in 83 Ill. Adm. Code 525, “Uniform Purchased Gas Adjustment Clause.” Section 525.40 of Part 525 identifies gas costs which are recoverable through the PGA. Adjustments to gas costs through the Adjustment Factor are addressed in Section 525.50. The gas charge formula is contained in Section 525.60. Annual Reconciliation procedures are described in Section 525.70.

### **Respondent’s Evidence**

Mr. Van R. Robinson, the Fuel Accounting Supervisor in the Accounting Department of Ameren Services Company, an affiliated service company of Respondent, testified as to his responsibility for supervising the calculation and filing with the Commission of Respondent’s monthly PGA and annual reconciliation required by

Respondent's PGA tariff. Mr. Robinson sponsored Schedule VRR-1 to his direct testimony (AmerenUE Exhibit No. 1.0), which identified and reconciled all components of the Company's 2002 gas costs and recoveries. Schedule VRR-1 showed that Respondent had over recovered gas costs from its customers during 2002 by the amount of \$1,073,924.

Mr. Robinson also testified that during the discovery stage of this proceeding, the Company discovered errors in the calculation of expenses in four of the PGA filing months included in this Reconciliation Period. These errors were related to the handling of storage injection fees. Mr. Robinson provided Schedule VRR-2, which shows the adjustments to the components of Schedule VRR-1 necessary to correct these errors. In addition, Mr. Robinson provided supporting documentation explaining the error in Schedule VRR-3. Mr. Robinson testified that the net result of these errors was that the Company had over recovered gas costs from its customers by \$1,073,729 instead of by \$1,073,924 as reported in Schedule VRR-1. To correct these errors and to allow the Company to recover the appropriate amount from its customers, Mr. Robinson stated that the Company requests that the Commission to approve the difference between these amounts, that is \$195, as the Ordered Reconciliation Factor in this docket (identified in Schedule VRR-2). Finally, Mr. Robinson testified that an independent auditor, PricewaterhouseCoopers LLP, had audited the revenue and cost data presented in the schedules to his testimony. Mr. Robinson submitted a copy of the audit report as Schedule VRR-4 to his direct testimony.

Mr. James J. Massmann, testified that he is a Natural Gas Supply and Transportation Director in the Natural Gas Supply and Transportation Department of

AmerenEnergy Fuels and Services Company, an affiliated company that provides AmerenUE and other companies of the Ameren system with a variety of fuel related services. Mr. Massmann testified as to his responsibility for the purchase of gas supply, transportation and storage services for AmerenUE's Illinois gas distribution system, and described the Company's gas procurement activities for the Reconciliation Period. Mr. Massmann also described the hedging and price control methods used by the Company during the Reconciliation Period to mitigate the impact of natural gas price increases on its customers. Mr. Massmann testified that AmerenUE's procurement of natural gas was prudent during 2002.

The Respondent also provided evidence which demonstrates that notice of this proceeding was published in accordance with the Commission's regulations (AmerenUE Exhibit No. 3.0); evidence that there were no improper affiliate transactions during the Reconciliation Period (AmerenUE Exhibit No. 4.0); and evidence, in the form of Respondent's data request responses, that support Mr. Massmann's testimony concerning the prudence of the Company's gas procurement practices during the Reconciliation Period (AmerenUE Exhibit No. 5.0).

### **Commission Staff's Evidence**

Ms. Theresa Ebrey of the Accounting Department of the Financial Analysis Division of the Commission, testified that she was assigned to review the Company's Purchased Gas Adjustment Reconciliation, analyze the underlying data and propose adjustments where appropriate. Ms. Ebrey testified that she had found no reason to object to the Company's reconciliation of PGA revenues collected under its Purchased Gas Adjustment with the actual cost of gas supplies. Ms. Ebrey recommended that the

Commission accept the reconciliation of revenues collected under the purchased gas adjustment clause with actual costs as reflected on Company Schedule VRR-2. In addition, she recommended that the Commission direct the Company to collect the amount of the Ordered Reconciliation Factor (Factor O) of \$195, in the first monthly PGA filed after the date of the Commission's order in this docket.

Mr. Eric Lounsberry, a Supervisor in the Gas Section of the Engineering Department of the Commission's Energy Division also provided testimony on behalf of the Staff. Mr. Lounsberry testified that he had reviewed the Company's direct testimony and responses to numerous data requests concerning the prudence of the Company's gas purchases during the Reconciliation Period. Mr. Lounsberry testified that he had determined that the Company's natural gas purchasing decisions made during the Reconciliation Period were prudent under the Commission's standards.

The Commission, having considered the entire record and being fully advised in the premises, is of the opinion and finds that:

- (1) Respondent is a corporation engaged in the distribution of natural gas to the public in Illinois and, as such, is a public utility within the meaning of the Public Utilities Act;
- (2) The Commission has jurisdiction over Respondent and of the subject matter of this proceeding;
- (3) The statements of facts set forth in the prefatory portion of this Order are supported by the evidence and the record and are hereby adopted as findings of fact;

- (4) The evidence shows that during the calendar year 2002 Reconciliation Period, Respondent acted reasonably and prudently in its purchases of natural gas;
- (5) For the calendar year 2002 Reconciliation Period, the Commission accepts the proposed reconciliation of revenues collected under Respondent's PGA tariff with the actual cost of gas supplies during that year as described in AmerenUE Exhibit No. 1, Schedule VRR-2, attached hereto;
- (6) Respondent should be directed to collect from its customers as the Ordered Reconciliation Factor pursuant to its PGA tariff the amount of \$195, identified in AmerenUE Exhibit No. 1, Schedule VRR-2, attached hereto and referred to in Finding (5);
- (7) The Ordered Reconciliation Factor referred to in Finding (6) should be collected as part of Respondent's first monthly PGA filed after the date of this Order; and
- (8) The Respondent's Motion for Protective Order is hereby granted.  
Pursuant to the Protective Order hereby issued, the confidential information contained in the Proprietary versions of AmerenUE Exhibit Nos. 2.0 and 5.0 are protected from disclosure for the maximum five-year period permitted pursuant to 83 Ill. Adm. Code 200.430.
- (9) All motions, petitions, objections or other matters in this proceeding that remain undisposed of should be disposed of consistent with the conclusion herein.



IT IS THEREFORE ORDERED by the Illinois Commerce Commission that the reconciliation submitted by Union Electric Company d/b/a AmerenUE of the revenues collected under its PGA tariff with costs prudently incurred for the purchase of natural gas for calendar year 2002 are, subject to Findings (5), (6), and (7), hereby approved.

IT IS FURTHER ORDERED that subject to the provisions of Section 10-112 of the Public Utilities Act and 83 Ill. Adm. Code 200.800, this Order is final; it is not subject to the Administrative Review Law.

By Order of the Commission this \_\_\_\_ day of \_\_\_\_\_, 2003.

UNION ELECTRIC COMPANY

Reconciliation of Purchased Gas Adjustment Clause  
for the Twelve Months Ended December 31, 2002  
Reflecting Company Proposed Adjustments

<u>Line</u>		<u>COMMODITY</u>	<u>DEMAND</u>	<u>TPC</u>	<u>CGC Adjustments</u>	<u>Total</u>
1	Unamortized Balance as of 12/31/2001 Per 2001 Reconciliation	\$ 459,107	\$ -	\$ -		\$ 459,107
2	Factor A Adjustments Amortized to Schedule 1 at 12/31/01	532,130	(94,824)	231		437,537
3	Factor O Collected/(Refunded) During 2002	-	-	-	-	-
4	Balance to be Collected/(Refunded) During 2002 from prior periods (sum of lines 1 - 3)	<u>991,237</u>	<u>(94,824)</u>	<u>231</u>		<u>896,644</u>
5						
6	2002 Gas Costs	7,420,971	2,222,781	-	195	9,643,947
7	2002 PGA Revenues	(8,487,352)	(2,235,696)	(229)		(10,723,277)
8	Pipeline Surcharges/(Refunds)	-	(1,642)	-		(1,642)
9	Other Adjustments (Rounding)	1	-	-		1
	Interest	<u>7,242</u>	<u>-</u>	<u>-</u>		<u>7,242</u>
10	2002 Under/(Over) Recovery (sum of lines 5 - 9)	<u>(1,059,138)</u>	<u>(14,557)</u>	<u>(229)</u>	<u>195</u>	<u>(1,073,729)</u>
11	Under/(Over) Recovery balance at 12/31/01 (line 4 + line 10)	(67,901)	(109,381)	2	195	(177,085)
12	Factor A Adjustments Amortized to Schedule 1 at 12/31/02	(67,901)	(109,381)	2		(177,085)
13	Unamortized Balance at 12/31/02	-	-	-		-
14	Requested Factor O (line 11 - line 12 - line 13)	-	-	-	195	195